

AMBASSADOR NILES: Thank you, Mr. Chairman.

I welcome this opportunity to present the views of the members from USCIB. A statement has been submitted for the record. I'll have a few rather brief comments here on E-commerce and the U.S. balance of payments deficit.

Electronic commerce is having a revolutionary impact on all sectors of business activity. Global electronic marketplaces for industrial, agricultural, and consumer goods are being established, producing enormous gains in efficiency that are a key element in our economy's productivity gains.

We've tended to focus on E-commerce as a tool to provide goods and services to consumers. Now, and at least for the medium term, its business-to-business impact will be much greater. As in all revolutions there will be winners and losers in the E-commerce revolution. There will be E-commerce casualties equivalent to the buggy whip industries that went down before the internal combustion engine.

Let me focus now if I might on the services sector. E-commerce is in many cases a means to deliver services more cheaply, more efficiently, and to a wider market. We have to keep in mind that services provide a surplus for our balance of payments of roughly \$80 billion.

E-commerce opens the way wider for U.S. service providers to compete for foreign markets. This will benefit the balance of payments and the U.S. economy.

If E-commerce is to continue its exponential growth and bring even greater benefits to our economy, it is crucially important that telecom liberalization continue and spread to new markets, and that the liberalization of those service sectors that can be provided electronically continues.

The Services 2000 negotiations, which have recently begun in Geneva, provide the framework for this process. U.S. industry enjoys a significant competitive advantage in the E-commerce area. Our companies provide the largest share of the equipment and software that make the Internet work and dominate cyberspace.

In addition to having the key technologies, I believe the single most important factor in the strong United States position has been and remains the impact of telecommunications' liberalization, which began in this country and spread abroad.

In a sense, Judge Green was one of the fathers of E-commerce. Consequently, our government should continue an all out push for further telecoms liberalization around the world. Fortunately most

other countries realize that if they are to benefit from E-commerce and from this revolution, they must proceed with telecoms liberalization.

As detailed in my written testimony, this involves, among other things, the full implementation of the basic telecoms agreement of 1997, along with meaningful market opening commitments by all WTO members and acceding countries.

Secondly, governments, including our own, should restrain their natural tendency to regulate E-commerce and the Internet. We are dealing with something that is growing exponentially and is changing as quickly. Trying to regulate E-commerce at this stage would be premature and ultimately unsuccessful.

The USCIB is working with business groups from other countries through the International Chamber of Commerce, recognized by governments as the world business organization, on an international framework of flexible self-regulation. This will, I believe, ensure that the system provides maximum benefits while minimizing the negative aspects.

What the United States government does will be closely watched and serve as a pattern elsewhere. So restraint and prudence are required.

Over and above telecoms liberalization, the importance of which I've already mentioned, there are

other areas where governments should act to insure the continued growth of electronic commerce: a minimal and predictable legal framework for taxation; adequate intellectual property protection; the recognition of electronic signatures and contracts, and so forth.

Regarding taxation, governments should develop a coordinated approach that is neutral toward electronic commerce. It should not discriminate for or against electronic commerce. The OECD, working with the private sector, is addressing this issue. Governments, again, including our own, should refrain from establishing a system for the collection of sales on value added taxes (VAT) on E-commerce until the OECD concludes its analysis on consumption taxes in the context of E-commerce.

Regarding intellectual property, government should insure strong protection for intellectual property on line, taking into account the challenges and opportunities of the digital environment. The Digital Millennium Copyright Act, which implements the WIPO Copyright and Phonogram Treaties, does just that.

We should discourage efforts that establish the principle that consumers can sue E-commerce providers in the country of the consumer. Although consumer protection measures are needed, and we are working on those in the ICC and in the BIAC to the

OECD, such an approach would be very damaging to the growth of E-commerce.

One of the many negative aspects of the failure in Seattle was the inability to nail down an agreement to extend the moratorium on customs duties on electronic transmissions. This should be a very high priority objective for our negotiators in Geneva.

In sum, Mr. Chairman, to the extent the solution or amelioration of our balance of payments problem can be found abroad, the growth of E-commerce is definitely part of the solution, and our government should join with business in creating conditions for this to happen.

This includes focusing on market access in countries with significant growth in services sectors and E-commerce. China is an excellent example of that, and the agreement to bring China into the World Trade Organization and open up this enormous market to our service providers is extraordinarily important.

Finally, if I might depart a moment from the assigned topic in picking up a point that was discussed earlier with Chairman Volcker, I might note that the largest part of the solution to our balance of payments problem is here at home in removing the macro economic imbalances that the wealth effect has created.

And here I would say the changes in the tax code that remove the disincentives to savings would probably go far to alleviating the balance of payments deficit problem.

Thank you very much, Mr. Chairman.

CHAIRMAN D'AMATO: Thank you, Mr.
Ambassador.

Dr. Bluestone.